

8 January 1956

MEMORANDUM FOR RECORD

Subject: Comments on Draft NIE 100-55, "Controls on Trade with Communist China"

1. p. 3 - "all leading non-Communist maritime countries prohibit that merchant ships from carrying strategic goods in the China trade,"
Comment: This statement is somewhat misleading since it depends on what is meant by "strategic" and does not take full account of the needs of the Chinese economy for goods primarily other than "strategic" in the highest sense.

2. p. 4 - "and therefore increased the opportunities for Communist China to get through other Bloc countries items it could not get direct."
Comment: this statement would seem to imply that such goods would move without hindrance from the bloc to China and does not take account of the bloc's need for these same goods nor the transportation difficulties involved.

3. p. 4 - "A TAC system...for items on IL-I."
Comment: would seem to suggest that relaxation of controls was safe since there is now a TAC system for IL-I items. Fails to recognize that China does not necessarily need primarily IL-I items but rather goods of lesser strategic character for basic industrial build-up.

4. p. 5 - "China's trade has also been markedly redirected toward the Bloc and away from non-Communist countries."
Comment: a statement might be added to the effect that such redirection, occasioned in large part by Western controls, has placed an added burden on the ability of Soviet bloc industry to supply both Bloc and Chinese requirements. This has aggravated the allocation problem for scarce goods, and has, to a limited extent, created economic friction between the Bloc and Communist China.

5. p. 6 - "Soviet military equipment and supplies....accounted for nearly one-half of China's imports from the European bloc."
Comment: this points up strongly the importance of Western shipments of other than military supplies and equipment to the Communist Chinese economic buildup on which long range military capability is based.

6. p. 7 - "one-third of Chinese imports...included etc."
Comment: it might be pointed out that these same items, or at least part of them, are ones considered in relatively short supply in the Bloc. The fact that they were denied to China by the West and are short in the Bloc emphasizes the probability that Soviet industry was strained by the need to supply both internal and Chinese requirements.

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7. p. 11 - "This primarily reflects a great increase in imports from the European Bloc." (bottom of page)

Comment: add to this to complete the thought - "and is an indicator of the effectiveness of Western controls during this period."

8. p. 15 - Effects of Controls

Comment: I would question whether para. 10 on this page relating to the limits of trade controls on China's military and industrial development is consistent with para. B on page iii.

9. p. 15 - Comment: it would not seem to follow that trade controls have been of "limited importance" in retarding development of power potential, as contrasted to immediate military build-up when viewed in light of the statement in para. C on pp. iv and v.

10. p. 15a - Comment: delete "probably" in first line.

11. p. 16 - referring to military build up and industrial expansion.

Comment: It would seem to be somewhat irrelevant on the one hand to speak of Chinese military build-up being largely "insulated from the adverse effects of trade controls" and on the other to say that "to the extent that trade controls have slowed China's industrial expansion they have retarded the growth of its military potential." Military strength for modern war, barring immediate capitulation of one of the contestants, must be based on economic strength and industrial potential.

12. p. 17 - Para 14 seems to give a good case for continuation and strengthening of controls to slow down economic program. Is this information and argument adequately reflected in the conclusions?

13. p. 18 - Closer Soviet-Chinese economic accommodation -

Comment: since most of the West looks with dismay on closer Sino-Soviet ties, the inference should not be left to stand that trade controls have been largely responsible. The statement to this effect is only partially softened by the last phrase of para. 15.

14. p. 38 - in para. 47, "and no substantial building program is in progress"

Comment: Soviet shipyard capacity is devoted to building combat vessels while they are adding to their merchant fleet through purchases in the West and repair of their vessels in Western yards. This thought should be incorporated in this paragraph.

15. p. 37 - missing.

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